

**BERKSHIRE UNITED WAY, INC.**  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2016 WITH COMPARATIVE TOTALS*  
*FOR THE YEAR ENDED JUNE 30, 2015*

**BERKSHIRE UNITED WAY, INC.  
FINANCIAL STATEMENTS**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Berkshire United Way, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Berkshire United Way, Inc. (a nonprofit "Organization") which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows, and functional expenses for the year then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkshire United Way, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and our report dated October 22, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Meyers Brothers Kaliska, P.C.*

Holyoke, Massachusetts  
October 27, 2016

**BERKSHIRE UNITED WAY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2016 AND 2015**

*ASSETS*

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash	\$ 404,639	\$ 249,184
Contributions receivable, net	894,253	951,196
Grants receivable	94,554	140,503
Other receivables	24,210	25,017
Prepaid expenses	25,478	21,199
Investments, at market value	2,202,894	2,384,496
Property and equipment, net	295,406	333,711
<b>Total assets</b>	<b>\$ 3,941,434</b>	<b>\$ 4,105,306</b>

*LIABILITIES AND NET ASSETS*

<b>Liabilities</b>		
Borrowings under line of credit	\$ 150,000	\$ -
Community grants payable	1,272,853	1,507,107
Due to designated agencies	232,563	151,194
Accounts payable	21,899	17,516
Accrued expenses	47,740	37,455
Long-term debt	39,787	56,589
<b>Total liabilities</b>	1,764,842	1,769,861
<b>Net assets</b>		
Unrestricted		
Unrestricted	472,319	559,388
Board designated reserve	767,000	797,000
Building and equipment	295,406	333,711
Total unrestricted	1,534,725	1,690,099
Temporarily restricted	155,579	159,058
Permanently restricted	486,288	486,288
<b>Total net assets</b>	2,176,592	2,335,445
<b>Total liabilities and net assets</b>	<b>\$ 3,941,434</b>	<b>\$ 4,105,306</b>

The accompanying notes are an integral part of these financial statements.

BERKSHIRE UNITED WAY, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE TOTALS FOR 2015

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Revenues, gains and other support</b>					
Campaign contributions					
Total campaign amounts raised	\$ 2,387,417			\$ 2,387,417	\$ 2,492,665
Less: amounts raised on behalf of others	(252,542)			(252,542)	(198,797)
Less: provision for uncollectible pledges	(82,107)			(82,107)	(71,319)
Net campaign contributions	2,052,768			2,052,768	2,222,549
Investment income, net	23,715	\$ 8,024		31,739	29,952
Administrative fees charged on designations	25,815			25,815	15,558
Grant income	274,773	40,000		314,773	319,409
Special events, net	21,799			21,799	20,998
In-kind support	48,119			48,119	45,581
Gifts and bequests	45,247			45,247	-
Rental income	84,930			84,930	84,930
Realized and unrealized (loss) gain on investments	(62,331)	(5,226)		(67,557)	44,893
Released from restrictions	32,077	(32,077)		-	-
Investment return released for operations	14,200	(14,200)		-	-
<b>Total revenues, gains and other support</b>	<u>2,561,112</u>	<u>(3,479)</u>	<u>-</u>	<u>2,557,633</u>	<u>2,783,870</u>
<b>Community impact and other expenses</b>					
Community investment	1,925,381			1,925,381	2,081,223
Resource development	471,974			471,974	388,968
Management and general	319,131			319,131	346,322
<b>Total community impact and other expenses</b>	<u>2,716,486</u>	<u>-</u>	<u>-</u>	<u>2,716,486</u>	<u>2,816,513</u>
<b>Change in net assets</b>	(155,374)	(3,479)	-	(158,853)	(32,643)
<b>Net assets, beginning of year</b>	<u>1,690,099</u>	<u>159,058</u>	<u>\$ 486,288</u>	<u>2,335,445</u>	<u>2,368,088</u>
<b>Net assets, end of year</b>	<u>\$ 1,534,725</u>	<u>\$ 155,579</u>	<u>\$ 486,288</u>	<u>\$ 2,176,592</u>	<u>\$ 2,335,445</u>

The accompanying notes are an integral part of these financial statements.

**BERKSHIRE UNITED WAY, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (158,853)	\$ (32,643)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	44,802	44,144
Net realized and unrealized loss (gain) on investments	67,557	(44,893)
Provision for uncollectible pledges	82,107	71,319
Change in operating assets and liabilities:		
Contributions receivable	(25,164)	(188,296)
Grants receivable	45,949	27,604
Other receivables	807	6,919
Prepaid expenses	(4,279)	(3,278)
Community grants payable	(234,254)	140,220
Due to designated agencies	81,369	(66,307)
Accounts payable	4,383	(9,369)
Accrued expenses	<u>10,285</u>	<u>(18,193)</u>
Net cash used in operating activities	<u>(85,291)</u>	<u>(72,773)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(6,497)	-
Purchase of investments	(1,426,130)	(1,360,117)
Proceeds from the sales of investments	<u>1,540,175</u>	<u>1,461,287</u>
Net cash provided by investing activities	<u>107,548</u>	<u>101,170</u>
<b>Cash flows from financing activities</b>		
Borrowings on line of credit	150,000	-
Principal payments on long-term debt	<u>(16,802)</u>	<u>(16,769)</u>
Net cash provided by (used in) financing activities	<u>133,198</u>	<u>(16,769)</u>
Net increase in cash	155,455	11,628
Cash, beginning of year	<u>249,184</u>	<u>237,556</u>
Cash, end of year	<u>\$ 404,639</u>	<u>\$ 249,184</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	<u>\$ 4,576</u>	<u>\$ 2,174</u>

The accompanying notes are an integral part of these financial statements.

**BERKSHIRE UNITED WAY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE TOTALS FOR 2015**

	Community Investment	Resource Development	Management and General	Total	
	2016	2015		2016	2015
Community impact grants to organizations	\$ 1,137,508			\$ 1,137,508	\$ 1,355,970
Salaries and related expenses					
Salaries	387,911	\$ 243,634	\$ 172,826	804,371	641,179
Employee benefits	46,232	35,850	32,717	114,799	87,759
Payroll taxes	29,085	23,836	14,460	67,381	54,044
Total salaries and related expenses	<u>463,228</u>	<u>303,320</u>	<u>220,003</u>	<u>986,551</u>	<u>782,982</u>
Support costs					
Contracted services	113,006	14,317	19,242	146,565	184,590
Supplies and small equipment	42,940	11,669	5,108	59,717	93,783
Telephone	2,198	1,267	1,098	4,563	3,801
Postage	183	4,321	840	5,344	6,692
Occupancy, other than depreciation	25,967	17,226	14,926	58,119	55,057
Equipment maintenance	6,113	2,741	3,068	11,922	11,974
Printing and publications	152	10,867	72	11,091	13,157
Advertising	19,083	6,467	-	25,550	33,114
Travel	5,864	1,774	3,107	10,745	9,864
Conferences, meetings	24,745	4,333	2,713	31,791	19,991
Conferences, training	4,308	2,516	5,301	12,125	43,727
Dues and subscriptions	1,473	245	384	2,102	1,120
National and state affiliation dues	12,330	8,407	7,286	28,023	25,984
General and liability insurance	2,535	1,729	1,748	6,012	5,550
Bank charges	1,686	5,172	996	7,854	7,432
Interest	2,013	1,373	1,190	4,576	2,174
Depreciation	19,713	13,440	11,649	44,802	44,144
Technology	30,194	24,038	19,748	73,980	89,484
In-kind expenses	11,480	36,639	-	48,119	23,678
Miscellaneous (income) expense	<u>(1,338)</u>	<u>113</u>	<u>652</u>	<u>(573)</u>	<u>2,245</u>
Total support costs	<u>324,645</u>	<u>168,654</u>	<u>99,128</u>	<u>592,427</u>	<u>677,561</u>
<b>Total community impact and other expenses</b>	<u>\$ 1,925,381</u>	<u>\$ 471,974</u>	<u>\$ 319,131</u>	<u>\$ 2,716,486</u>	<u>\$ 2,816,513</u>

The accompanying notes are an integral part of these financial statements.



# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

### 1. ORGANIZATION:

Berkshire United Way, Inc. (the "Organization") is a nonprofit organization that improves the quality of life in Berkshire County by mobilizing resources to address community priorities and create sustainable change. The Organization raises funds through workplace campaigns (employee payroll deduction, corporate gifts and sponsorships), government and foundation grants and individual donations. The Organization invests these resources in support of three priority community issues: early childhood literacy, positive youth development and financial stability, the building blocks for a good quality of life. With leadership from staff and volunteers with expertise in each of these areas, strategies are developed to impact positive change. The Organization funds evidence-based programs and services provided by a variety of nonprofit organizations in Berkshire County that address the three priority community issues. The Organization leads several initiatives, using cross sector engagement and the collective impact framework to identify shared goals, measures and align programs and services to reach specified outcomes. Initiatives include the Pittsfield Promise and Chapter One...Our Towns, Our Kids, Our Future (early literacy coalitions); Pittsfield Prevention Partnership (adolescent substance abuse prevention); and Face the Facts: reduce teen pregnancy. The Organization recently partnered with five workplaces across the county to launch the Workplace Resource Coordinator program which is focused on increasing the financial stability of low and moderate income residents of Berkshire County.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### **Basis of accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The statements of financial position presents assets and liabilities in order of their relative liquidity.

#### **Revenue recognition**

Contributions and grants are recognized as support at the time they are pledged. Grants are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The Organization reports campaign contributions net of amounts that are designated by donors to a specific non-profit agency. Donor designated pledges were assessed a processing fee (which includes fundraising and administrative costs) of 19.0% and 18.4% for the years ended June 30, 2016 and 2015, with a maximum fee of \$100 per donor which is based on historical costs in accordance with United Way Worldwide membership standards. During fiscal year 2016, the Organization was notified that a significant workplace campaign is relocating out of Berkshire County. As a result, it is anticipated that revenues will decrease approximately \$140,000 in fiscal year 2017.

Campaign efforts include amounts raised by participating companies that are paid directly to the recipient organization. The amount of these pass-through funds was \$290,878 and \$210,736 for the years ended June 30, 2016 and 2015, respectively, and are not reflected in the statements of activities.

# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### **Contributions and grants receivable**

Contributions receivable are typically due within one year or less and therefore recorded without any present value discount. The Organization provides for an allowance for uncollectible contributions and grants receivable based upon historical averages and management's estimates of current economic factors. Accounts are written off against the allowance when management has exhausted all reasonable collection efforts. The allowance for uncollectible contributions receivable was \$101,787 and \$68,775 as of June 30, 2016 and 2015, respectively. There was no allowance for grants receivable as of June 30, 2016 and 2015.

#### **Investments, including endowments**

Investments are recorded at fair value using methodologies discussed in Note 4. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on a specific identification basis. Investment activity is reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

The Organization's investments include donor restricted endowment funds and funds functioning as quasi-endowment funds. Donor restricted endowments consist of gifts received with a donor stipulation that require the funds to be invested in perpetuity. Quasi-endowment funds consist of board designated and donor restricted purpose funds. Board designated funds consist of monies internally designated. Donor restricted purpose funds consist of gifts received with a donor stipulation to be used for a particular purpose, but with no requirement for the funds to be invested in perpetuity and for which a fund was established to function as an endowment.

Professional accounting standards provide guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Massachusetts Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") which serves as a model act for states to modernize their laws governing donor restricted endowment funds.

The Board of Directors (the "Board") has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of bequests donated to the permanent endowment.

The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: the duration and preservation of the funds, the purpose of the Organization and the donor restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, and the investment policies of the Organization.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Investments, including endowments (continued)**

The Organization's endowment spending policy is 4.5% of its endowment fund's average fair value as of June 30<sup>th</sup> of the preceding three years in which the distribution was planned for. In fiscal years 2016 and 2015, this amounted to \$14,200 and \$10,459, respectively, which was used by the organization. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. The board of directors approved an additional appropriation of \$13,315 in June 2015, which was transferred during fiscal year 2015.

**Property and equipment, net**

Property and equipment are carried at cost less accumulated depreciation. The Organization capitalizes expenditures for equipment in excess of \$2,500. The fair value of donated equipment is similarly capitalized. Depreciation is calculated based on the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives of buildings and improvements is from seven to twenty years and the lives of furniture and equipment is from three to ten years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. The Organization evaluated the carrying value of its property and equipment and no impairment was recorded.

Depreciation expense was \$44,802 and \$44,144 for the years ended June 30, 2016 and 2015, respectively.

**Community grants payable**

Community impact grants are awarded to agencies for specific programs for one or two years and are contingent on satisfactory program performance, contract compliance, and available dollars. The grants are recommended by staff, community volunteers and approved by the board of directors. These expenses are recorded prior to fiscal year end and monthly distributions will be made in the subsequent fiscal year. The Organization requires grant recipients to provide all required reporting in order to receive their last payment.

**Due to designated agencies**

Contributions that are designated to a specific third-party beneficiary are recorded as a liability at the time that the contribution is received. These pledges are paid to designated agencies, as received, with payments issued at least twice per year. The Organization received donor designations to outside parties of \$252,542 and \$198,797 for the years ended June 30, 2016 and 2015, respectively.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Net assets**

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Organization, the accompanying financial statements are classified for accounting and reporting purposes into classes of net assets in accordance with the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets, including the Organization's operating accounts and board designated funds set aside for long term investment purposes, not subject to donor-imposed stipulations. Board designated net assets are a portion of the accumulation of unrestricted surpluses that are available for use at the discretion of the Organization's Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by action of the Organization and/or the passage of time. Realized and unrealized gains or losses on permanently and temporarily restricted investments are reported as temporarily restricted net assets in accordance with donor stipulations and Massachusetts law.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

The Board has adopted a reserve policy whereby certain unrestricted net assets are board designated in order to establish a means to provide ongoing funding for operations and community programs for a period of four months. This allows time to develop alternative plans if there is an unanticipated decline in available funds. Additionally, it provides a rational basis by which to determine a target range that is not excessive.

**In-kind contributions and contributed services**

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization benefited from donated supplies, books, a vehicle and special event related items in the amount of \$48,119 and \$23,678 during the years ended June 30, 2016 and 2015, respectively. This amount has been reported as both in-kind revenue and expense on the statements of activities.

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization. Approximately 3,930 volunteer hours were contributed, including approximately 940 hours by volunteers from local companies participating in the Organization's annual campaign during the year ended June 30, 2016. The value of the volunteer hours has not been recorded in the statements of activities.

# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### **Functional allocation of expenses**

The cost of providing the various programs and activities has been summarized on a functional basis in the statements of activities. Accordingly, certain building costs have been allocated among the programs and supporting services benefited. This allocation is based on the full time equivalent of employees in each respective department.

#### **Advertising**

The Organization charges advertising costs to expense as incurred which amounted to \$25,550 and \$33,114 for the years ended June 30, 2016 and 2015, respectively.

#### **Tax-exempt status**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal or state income taxes has been made.

#### **Uncertain tax positions**

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The Organization's tax returns are subject to examination by taxing authorities for all years ending on or after June 30, 2013.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Reclassifications**

Certain accounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications move \$21,903 of expense from in-kind support and \$1,775 from supplies and small equipment expense to in-kind expenses and had no effect on reported change in net assets.

### 3. INVESTMENTS:

The Board of Directors of the Organization, as the governing Board, is responsible for oversight of the Organization's investments. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, is the Board of Directors responsibility. Investments authorized include marketable equity and debt securities and other types of investments that may be made with the prior approval of the Board of Directors.

The primary investment objective of the investment portfolio is growth of principal sufficient to preserve purchasing power and to provide income to support current and future activities of the Organization. Long term the total return on the portfolio should equal the rate of inflation, plus the payout rate which is used to support current activities, plus an amount reinvested to support future activities.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**

**3. INVESTMENTS: (CONTINUED)**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires to be retained for perpetual funds. The historic gift value of donor restricted endowment funds cannot be reduced for any excess losses. Any excess losses shall reduce temporarily restricted net assets to the extent there is net appreciation on the related funds. Any remaining excess losses shall reduce unrestricted net assets. As of June 30, 2016 and 2015, there were no cumulative losses on the investments of donor restricted endowment funds.

Investments at June 30, 2016 consist of:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Cash and equivalents	\$ 48,280	\$ 48,280	\$ -
Fixed income			
Nongovernment obligations	254,931	264,598	9,667
Foreign obligations	151,750	154,046	2,296
Treasury and federal agencies	39,844	40,008	164
Income exchange traded funds	214,656	220,455	5,799
Common stock			
Industrials	54,755	70,398	15,643
Materials	6,792	5,879	(913)
Telecommunication services	18,261	31,661	13,400
Consumer discretionary	66,757	104,140	37,383
Consumer staples	80,881	97,248	16,367
Energy	60,374	68,284	7,910
Financials	137,473	167,742	30,269
Health care	87,084	120,878	33,794
Information technology	153,953	180,528	26,575
Utilities	13,983	23,168	9,185
Equity funds			
Small cap equity funds	87,593	87,593	-
International equity funds	71,625	73,887	2,262
Equity exchange traded funds	441,374	444,101	2,727
Total investments	<u>\$ 1,990,366</u>	<u>\$ 2,202,894</u>	<u>\$ 212,528</u>

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**

**3. INVESTMENTS: (CONTINUED)**

Investments at June 30, 2015 consist of:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Cash and equivalents	\$ 11,761	\$ 11,761	\$ -
Fixed income			
Nongovernment obligations	457,490	457,359	(131)
Foreign obligations	202,788	201,698	(1,090)
Income exchange traded funds	167,354	164,775	(2,579)
Common stock			
Industrials	56,471	71,242	14,771
Materials	16,429	16,667	238
Telecommunication services	15,210	23,212	8,002
Consumer discretionary	57,469	102,407	44,938
Consumer staples	50,267	59,474	9,207
Energy	65,176	71,537	6,361
Financials	89,065	132,726	43,661
Health care	80,207	134,121	53,914
Information technology	129,797	176,738	46,941
Utilities	11,734	16,428	4,694
Equity funds			
Small cap equity funds	89,146	95,567	6,421
International equity funds	73,353	89,785	16,432
Equity exchange traded funds	552,647	558,999	6,352
Total investments	\$ <u>2,126,364</u>	\$ <u>2,384,496</u>	\$ <u>258,132</u>

The Organization's bonds were rated as follows as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
AA	\$ 116,622	\$ 74,671
A	342,030	334,158
BBB	-	250,228
Total	\$ <u>458,652</u>	\$ <u>659,057</u>

The following schedule summarizes the investment return in the statements of activities for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 51,269	\$ 49,680
Unrealized losses	(45,699)	(142,357)
Realized (losses) gains	(21,858)	187,250
Less: fees and other costs	(19,530)	(19,728)
Total	\$ <u>(35,818)</u>	\$ <u>74,845</u>

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**

**4. FAIR VALUE MEASUREMENTS:**

The Organization follows established guidelines for a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. Market price is generally obtained from exchange or dealer markets.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3 Unobservable inputs that are supported by little or no market activity as they trade infrequently or not at all and that are significant to the fair value of the assets or liabilities.

**Investments**

Investments are reported at fair value based on quoted market prices, where available, and/or other market data for the same or comparable instruments and transactions in establishing the prices. Fixed income funds are valued at the closing price reported in the active market in which the bond is traded. All of the Organizations investments qualify as Level 1.

**5. ENDOWMENTS:**

Endowment by net asset class and type at June 30, 2016 and 2015 consists of:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>June 30, 2016</b>			
Donor restricted endowment funds	\$ <u>104,335</u>	\$ <u>486,288</u>	\$ <u>590,623</u>
<b>June 30, 2015</b>			
Donor restricted endowment funds	\$ <u>119,058</u>	\$ <u>486,288</u>	\$ <u>605,346</u>



**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**5. ENDOWMENTS: (CONTINUED)**

The following schedule reconciles the change in endowments by net asset class for the years ended June 30, 2016 and 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments - June 30, 2014	\$ 139,557	\$ 486,288	\$ 625,845
Realized and unrealized gains	9,961	-	9,961
Interest and dividends, net	8,314	-	8,314
Spending policy distribution	(23,774)	-	(23,774)
Venture grant distribution	(15,000)	-	(15,000)
Endowment investments - June 30, 2015	<u>119,058</u>	<u>486,288</u>	<u>605,346</u>
Realized and unrealized losses	(5,226)	-	(5,226)
Interest and dividends, net	8,024	-	8,024
Spending policy distribution	(14,200)	-	(14,200)
Venture grant distribution	(3,321)	-	(3,321)
Endowment investments - June 30, 2016	<u>\$ 104,335</u>	<u>\$ 486,288</u>	<u>\$ 590,623</u>

**6. PROPERTY AND EQUIPMENT:**

The Organization's property and equipment consists of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 128,939	\$ 128,939
Buildings and improvements	580,867	580,867
Furniture and equipment	<u>228,661</u>	<u>222,164</u>
	938,467	931,970
Less: accumulated depreciation	<u>(643,061)</u>	<u>(598,259)</u>
Property and equipment, net	<u>\$ 295,406</u>	<u>\$ 333,711</u>

**7. LINE OF CREDIT:**

The Organization has a line of credit agreement with a local bank. The maximum amount available on the line of credit is \$300,000 which is due on demand. The line of credit is subject to annual renewal in June and secured by the property owned by the Organization and the unrestricted investments accounts. The interest rate is the New York Prime Rate as published in the Wall Street Journal (3.50% at June 30, 2016 and 3.25% at June 30, 2015) with an interest rate floor of 2%. The balance outstanding at June 30, 2016 was \$150,000. There was no balance outstanding against the line of credit at June 30, 2015.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**8. LONG-TERM DEBT:**

The Organization's long-term debt consists of the following at June 30:

	<b>2016</b>	<b>2015</b>
Commercial note payable to a bank in monthly installments of \$1,564 with interest to be adjusted every three years using the Federal Home Loan Bank 3/10 amortizing rate plus 2%, no lower than 3.0%. As of June 30, 2016 and 2015, the interest rate was 3.0%. The note is due August 2018, and is collateralized by the property owned by the Organization and the unrestricted investments accounts.	\$ 39,787	\$ 56,589
Less: current portion of long-term debt	(17,836)	(18,769)
Long-term debt, net of current portion	\$ 21,951	\$ 37,820

Future principal payments are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 17,836
2018	18,379
2019	3,572
Total	\$ 39,787

The long-term debt requires that the Organization meet certain reporting and financial covenants.

**9. LEASE INCOME:**

The Organization leases office space to two other organizations at \$4,194 per month and at \$2,817 per month, which expire June 2017 and November 2018, respectively. Total rent received was \$84,930 for the years ended June 30, 2016 and 2015, respectively.

The future minimum rental income is as follows:

<u>Year Ending June 30</u>	
2017	\$ 84,930
2018	34,605
2019	14,885

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**10. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are summarized as follows at June 30:

	<b>2016</b>	<b>2015</b>
Face the facts: reduce teen pregnancy	\$ 20,000	\$ 40,000
Workplace resource coordinator program	31,244	-
Accumulated earnings on endowments:		
Venture endowment	90,528	92,600
Other endowments	13,807	26,458
	\$ 155,579	\$ 159,058

**11. PERMANENTLY RESTRICTED NET ASSETS:**

Permanently restricted net assets are summarized as follows at June 30:

	<b>2016</b>	<b>2015</b>
Ruth P. Boraski - Children's programs	\$ 211,378	\$ 211,378
General endowment	35,000	35,000
GE Good Neighbor - Community programs	62,425	62,425
Venture endowment - Human services	177,485	177,485
	\$ 486,288	\$ 486,288

**12. NET ASSETS RELEASED FROM RESTRICTIONS:**

The restricted net assets released from restrictions in 2016 related to the following:

Temporarily restricted net assets released:	
Face the facts: reduce teen pregnancy	\$ 20,000
Venture grant distribution	3,321
Workplace resource coordinator program	8,756
Total	\$ 32,077

**13. RETIREMENT PLAN:**

The Organization maintains a 403(b) Plan (the "Plan") for eligible employees. Employees are eligible to make salary reduction contributions upon hire. Employees are eligible for matching and base contributions from the Organization upon reaching age twenty one and achieving one year of service (1,000 hours of service). The Organization's contribution to the Plan was \$34,119 and \$20,965 for the years ended June 30, 2016 and 2015, respectively.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**14. RELATED PARTY TRANSACTIONS:**

The Organization recorded grants to various agencies who have affiliations with members of the Board of Directors and Berkshire United Way staff, totaling approximately \$170,000 and \$125,000 for the years ended June 30, 2016 and 2015, respectively.

A majority of the Organization's cash and investments are held at Berkshire Bank where a member of the Board of Directors is employed.

**15. CONTINGENCIES:**

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds requiring repayment to the funding source. As of the date of these financial statements, the Organization has not been informed of any disallowed expenditures.

**16. CONCENTRATIONS OF CREDIT RISK:**

The Organization maintains its cash balance in local financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization has not experienced any losses on these accounts. The Organization believes it is not exposed to any significant credit risk on cash.

**17. SUBSEQUENT EVENTS:**

In July 2016, the Organization received a \$1,000,000 gift for the purpose of supporting those in Berkshire County that are in need under the Organization's community programs. This gift will be recorded as temporarily restricted revenue in fiscal year 2017.

Management has evaluated subsequent events through October 27, 2016, the date of which the financial statements were available to be issued.